

**REPORT OF THE AUDIT OF THE
MARSHALL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2002**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MARSHALL COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2002**

The Auditor of Public Accounts has completed the Marshall County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances decreased by \$4,851,800 from the beginning of the year, resulting in a cash surplus of \$6,174,931 as of June 30, 2002.

Debt Obligations:

Total bonded debt principal as of June 30, 2002, was \$8,005,000. Future collections of \$13,443,680 are needed over the next 21 years to pay all bonded debt principal and interest.

Total estimated postclosure cost of the landfill as of June 30, 2002, was \$1,121,938. Future collections of this same amount are needed over the next 30 years to pay this estimated post closure cost.

Report Comment:

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$122,659 To Protect Deposits

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AUDIT OF MARSHALL COUNTY REFUSE DISPOSAL DISTRICT	



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Mike Miller, Marshall County Judge/Executive
Members of the Marshall County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Marshall County, Kentucky as of June 30, 2002, the statement of cash receipts, cash disbursements, and changes in cash balances, and the related statement of cash flows for the year then ended. These financial statements are the responsibility of the Marshall County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Marshall County Refuse Disposal District. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marshall County Refuse Disposal District, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Marshall County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions of Marshall County, Kentucky as of June 30, 2002, and the revenues received and expenditures paid, and the cash flows of its enterprise fund for the year then ended in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
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Members of the Marshall County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2002 on our consideration of Marshall County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Marshall County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comment:

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$122,659 To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 26, 2002

MARSHALL COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Mike Miller	County Judge/Executive
Jerry English	Magistrate
Gordon Hargrove	Magistrate
Jerome Hicks	Magistrate

Other Elected Officials:

Jeff Edwards	County Attorney
Roger Ford	Jailer
Dan Duke	County Clerk
Carol Fisk	Circuit Court Clerk
Terry Anderson	Sheriff
Ann Riley	Property Valuation Administrator
Mitchell Lee	Coroner

Appointed Personnel:

Tim York	County Treasurer
Angie Murphy	Occupational Tax Administrator
Emily West	Finance Officer
Gary Atkins	Road Supervisor
Marsha Penny	911 Administrator
Lauri Ford	Jail Administrative Assistant/Bookkeeper

STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

MARSHALL COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 3,092,630	\$ 375,256	\$ 2,605,700	\$ 17,381
Notes Receivable (Note 4)	67,070			
Restricted Cash-				
Payroll Revolving Account	<u>134,645</u>	<u></u>	<u></u>	<u></u>
Total Assets	<u>\$ 3,294,345</u>	<u>\$ 375,256</u>	<u>\$ 2,605,700</u>	<u>\$ 17,381</u>
<u>Other Resources</u>				
Amounts To Be Provided				
In Future Years For:				
Landfill Postclosure Cost (Note 10)	\$ 1,121,938	\$	\$	\$
Bond Payments (Note 5)	<u></u>	<u></u>	<u></u>	<u>7,987,619</u>
Total Other Resources	<u>\$ 1,121,938</u>	<u>\$</u>	<u>\$</u>	<u>\$ 7,987,619</u>
Total Assets and Other Resources	<u><u>\$ 4,416,283</u></u>	<u><u>\$ 375,256</u></u>	<u><u>\$ 2,605,700</u></u>	<u><u>\$ 8,005,000</u></u>

The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

Proprietary Fund Type	Totals (Memorandum Only) Primary Government
<u>Enterprise</u>	
\$ 83,964	\$ 6,174,931
	67,070
	<u>134,645</u>
<u>\$ 83,964</u>	<u>\$ 6,376,646</u>
\$	\$ 1,121,938
	<u>7,987,619</u>
<u>\$</u>	<u>\$ 9,109,557</u>
<u>\$ 83,964</u>	<u>\$ 15,486,203</u>

The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2002
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Landfill Postclosure Cost (Note 10)	\$ 1,121,938	\$	\$	\$
Bond Payments (Note 5)				8,005,000
Deferred Revenue (Note 4)	67,070			
Payroll Revolving Account	134,645			
Total Liabilities	<u>\$ 1,323,653</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,005,000</u>
<u>Equity</u>				
Retained Earnings:				
Reserved	\$	\$	\$	\$
Fund Balances:				
Reserved	322,393		2,605,700	
Unreserved	2,770,237	375,256		
Total Equity	<u>\$ 3,092,630</u>	<u>\$ 375,256</u>	<u>\$ 2,605,700</u>	<u>\$</u>
Total Liabilities and Equity	<u>\$ 4,416,283</u>	<u>\$ 375,256</u>	<u>\$ 2,605,700</u>	<u>\$ 8,005,000</u>

The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2002
(Continued)

Proprietary Fund Type	Totals (Memorandum Only) Primary Government
<u>Enterprise</u>	
\$	\$ 1,121,938
	8,005,000
	67,070
	<u>134,645</u>
<u>\$</u>	<u>\$ 9,328,653</u>
\$ 83,964	\$ 83,964
	2,928,093
	<u>3,145,493</u>
<u>\$ 83,964</u>	<u>\$ 6,157,550</u>
<u>\$ 83,964</u>	<u>\$ 15,486,203</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MARSHALL COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	<u>General Fund Types</u>			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 10,530,983	\$ 3,905,882	\$ 1,420,047	\$ 1,110,014
Jail Canteen Receipts	9,560			
Other Financing Sources:				
Transfers In	4,550,281	800,000	500,000	
Total Cash Receipts	<u>\$ 15,090,824</u>	<u>\$ 4,705,882</u>	<u>\$ 1,920,047</u>	<u>\$ 1,110,014</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 10,894,584	\$ 4,372,423	\$ 1,449,518	\$ 1,259,249
Jail Canteen Expenditures	11,434			
Other Financing Uses:				
Transfers Out	4,550,281	500,000	500,000	
Bonds:				
Interest Paid	420,262			
Construction Costs	4,064,053			
Cash Management Fees	2,000			
Miscellaneous Expenditures	10			
Total Cash Disbursements	<u>\$ 19,942,624</u>	<u>\$ 4,872,423</u>	<u>\$ 1,949,518</u>	<u>\$ 1,259,249</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (4,851,800)	\$ (166,541)	\$ (29,471)	\$ (149,235)
Cash Balance - July 1, 2001	<u>11,026,731</u>	<u>260,531</u>	<u>170,889</u>	<u>444,295</u>
Cash Balance - June 30, 2002	<u>\$ 6,174,931</u>	<u>\$ 93,990</u>	<u>\$ 141,418</u>	<u>\$ 295,060</u>

The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2002
(Continued)

General Fund Types			Special Revenue Fund Types	
Federal Grant Fund	Occupational Tax Fund	Occupational Tax Administrator Fund	Emergency 911 Fund	Wireless 911 Fund
\$ 76,185	\$ 66,442	\$ 3,395,521	\$ 324,075	\$ 78,742
	3,200,000			
\$ 76,185	\$ 3,266,442	\$ 3,395,521	\$ 324,075	\$ 78,742
\$ 85,142	\$ 3,375,225	\$ 54,286	\$ 279,459	\$ 19,282
		3,500,000		
\$ 85,142	\$ 3,375,225	\$ 3,554,286	\$ 279,459	\$ 19,282
\$ (8,957) 331,350	\$ (108,783) 273,965	\$ (158,765) 2,233,352	\$ 44,616 213,591	\$ 59,460 57,589
\$ 322,393	\$ 165,182	\$ 2,074,587	\$ 258,207	\$ 117,049

The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2002
(Continued)

	Capital Projects Fund Type	Debt Service Fund Type	Enterprise Fund Type
	Public Properties Corporation Justice Center Fund	Public Properties Corporation Justice Center Fund	Jail Canteen Fund
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 145,772	\$ 8,303	\$
Jail Canteen Receipts			9,560
Other Financing Sources:			
Transfers In	1,680	48,601	
Total Cash Receipts	\$ 147,452	\$ 56,904	\$ 9,560
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$	\$
Jail Canteen Expenditures			11,434
Other Financing Uses:			
Transfers Out	48,601	1,680	
Bonds:			
Interest Paid		420,262	
Construction Costs	4,064,053		
Cash Management Fees	2,000		
Miscellaneous Expenditures	10		
Total Cash Disbursements	\$ 4,114,664	\$ 421,942	\$ 11,434
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (3,967,212)	\$ (365,038)	\$ (1,874)
Cash Balance - July 1, 2001	6,572,912	382,419	85,838
Cash Balance - June 30, 2002	\$ 2,605,700	\$ 17,381	\$ 83,964

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH
FLows-PROPRIETARY FUND TYPE

MARSHALL COUNTY
STATEMENT OF CASH
FLOWS-PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund Type</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Cash Commissions on Vendor Receipts	\$ 9,137
Payments for Entertainment	(1,985)
Payments for Counseling - Four Rivers Behavioral Health	(6,500)
Other Payments	<u>(2,949)</u>
Net Cash Used by Operating Activities	<u>\$ (2,297)</u>
Cash Flows From Investing Activities:	
Interest Received on Bank Accounts	<u>\$ 423</u>
Net Cash Provided by Investing Activities	<u>\$ 423</u>
Net Decrease in Cash	\$ (1,874)
Cash and Cash Equivalents - Beginning	<u>85,838</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 83,964</u></u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Marshall County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Emergency 911 Fund and the Marshall County Public Properties Corporation as part of the reporting entity. Management has also included the Marshall County Refuse Disposal District which was audited by other auditors and whose report is included in Appendix A as part of the reporting entity.

1) Emergency 911 Fund

The Marshall County Emergency 911 Board is a legally separate organization with all of the rights and obligations of such. Fiscal Court does not appoint the Board. The Board has the right to buy, sell, lease, and mortgage property, and issue bonded debt in its own name. However, the Board has authorized Fiscal Court to perform all bookkeeping responsibilities. All Emergency 911 receipts and disbursements are budgeted, received, and paid through Fiscal Court; the County Treasurer includes Emergency 911 as a separate fund on Marshall County's financial reports. Financial information for the Emergency 911 Board is blended within Marshall County's financial statements.

2) Marshall County Public Properties Corporation

Fiscal Court has the authority to appoint a voting majority of the Public Properties Corporation's (PPC) Board of Directors. Fiscal Court also has the ability to approve or modify the PPC's budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of the Board of Directors, or otherwise impose its will on the PPC. In addition, Fiscal Court is financially accountable for the PPC, legally entitled to the PPC's resources, as well as legally obligated for the PPC's debt. Financial information for the Public Properties Corporation is blended within Marshall County's financial statements.

3) Marshall County Refuse Disposal District

The Refuse Disposal District has the right to buy, sell, lease, and mortgage property in its own name. The District also has the right to sue and be sued in its own name. Fiscal Court does not have the authority to approve or modify the District's budget, approve or modify rate or fee changes affecting revenues, or veto, overrule, or modify decisions of the District's board of directors. However, Fiscal Court does appoint a voting majority of the District's governing body.

MARSHALL COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

3) Marshall County Refuse Disposal District (Continued)

Also, Fiscal Court has assumed the obligation to finance the District's deficits by providing financial support to the District: Fiscal Court budgets at least \$400,000 each fiscal year to help fund the District. Fiscal Court paid \$400,000 to the District during this fiscal year. Therefore, Fiscal Court is considered financially accountable for the District. Financial information for the Refuse Disposal District is discretely presented in a separate audit performed by other auditors and included as Appendix A to our audit report.

Additional - Marshall County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Marshall County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Marshall County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Marshall County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Federal Grant Fund, Occupational Tax Fund, and Occupational Tax Administrator Fund.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Emergency 911 Fund and the Wireless 911 Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Justice Center Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Public Properties Corporation Justice Center Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

5) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Marshall County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, deferred revenue, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

MARSHALL COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Marshall County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Justice Center Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. For the purpose of the statement of cash flows, the county considers all investments with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Marshall County Fiscal Court:

Marshall County Hospital
 Jonathan Creek Water District
 Aurora Sewer District

Marshall County Library
 North Marshall Water District
 Draffenville Sewer District

MARSHALL COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following are considered joint ventures of the Marshall County Fiscal Court:

Industrial Development Board

Purchase Area Regional Industrial Authority, Inc.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of June 30, 2002, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$122,659 of public funds uninsured and unsecured.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 3. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2002.

	<u>Bank Balance</u>
FDIC Insured	\$ 300,000
Collateralized with securities held by pledging depository institution in the county's name	3,676,591
Uncollateralized and uninsured	<u>122,659</u>
Total	<u>\$ 4,099,250</u>

Note 4. Receivables

A. Elva/New Harmony/Oak Level Fire District

The county loaned \$30,000 to Elva/New Harmony/Oak Level Fire District on July 21, 1999, for the purpose of renovating the Fire Department. Terms of the agreement stipulate a 12-year repayment schedule, interest free. The Fire District is in substantial compliance with the terms of the agreement. As of June 30, 2002, principal balance due was \$28,000.

B. Fairdealing Fire District

The county loaned \$30,000 to the Fairdealing Fire District on January 11, 2000, for the purpose of renovating the Fire Department. Terms of this agreement stipulate a 12-year repayment schedule, interest free. The Fire District is in substantial compliance with the terms of the agreement. As of June 30, 2002, the principal balance due was \$18,000.

C. Jonathan Creek Water District

The county loaned \$70,000 to the Jonathan Creek Water District on January 7, 2001, for the purpose of repairing a water tower. Terms of this agreement stipulate a 2-year repayment schedule at 4.5% interest. The Water District is in substantial compliance with the terms of the agreement. As of June 30, 2002, the principal balance due was \$21,070.

Total receivables as of June 30, 2002 for the General Fund Type are \$67,070.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 5. Long-Term Debt

Marshall County Public Properties Corporation entered into a bond issue, Marshall County Public Properties First Mortgage Revenue Bonds (Justice Center Project) Series 2000, on October 1, 2000, for the purpose of paying the cost of constructing a new county justice center facility and the cost of issuance of the bonds. The issue amount of the bonds was \$8,005,000. The bonds will mature beginning March 1, 2003. The Administrative Office of the Courts (AOC) will be responsible for 74% of the cost of the bonds. The Public Properties Corporation will be responsible for the remaining balance of the cost. The outstanding balance as of June 30, 2002, was \$8,005,000.

The following represents future maturities of long-term debt:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>
2003	\$ 420,263	\$ 210,000
2004	409,237	215,000
2005	397,950	235,000
2006	385,612	245,000
2007	372,750	265,000
2008-2012	1,642,987	1,525,000
2013-2017	1,194,113	2,015,000
2018-2022	600,337	2,670,000
2023	32,812	625,000
Totals	<u>\$ 5,456,061</u>	<u>\$ 8,005,000</u>

Note 6. Related Party Transactions

Marshall County Fiscal Court participated in the following related party transactions.

- A. During the fiscal year, the County conducted business with the Timber Bridge Company of Kentucky for culverts and bridge materials. In December 2001, the County Judge/Executive filed a Statement of Financial Disclosure with the Marshall County Ethics Commission stating that he was employed as a salesman for Timber Bridge, and earned in excess of \$5,000 during the preceding calendar year. It is our understanding that the County Judge/Executive abstained from voting to accept the bid of Timber Bridge. A letter, dated August 17, 2001, from Timber Bridge Company of Kentucky, states that the County Judge/Executive did not receive commissions on sales in Marshall County. The County Attorney reviewed this matter and did not believe that it violated the Marshall County Ethics Code.

MARSHALL COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 6. Related Party Transactions (Continued)

- B. During the fiscal year, the County maintained deposits with the Bank of Benton. In December 2001, the County Judge/Executive filed a Statement of Financial Disclosure with the Marshall County Ethics Commission stating that he owned an interest of at least \$10,000 in the Bank of Benton, and earned in excess of \$5,000 during the preceding calendar year from this interest. The County Attorney reviewed this matter and did not believe that it violated the Marshall County Ethics Code.

Note 7. Subsequent Events

- A. On July 3, 2002, the Marshall County Fiscal Court entered into a promissory note agreement with the Bank of Benton. The purpose of the note was to purchase a building for Marshall County Needline. The Marshall County Fiscal Court borrowed \$114,200 at an interest rate of 6.5 percent for a period of twenty years. The Marshall County Needline has agreed to pay the Marshall County Fiscal Court rental payments in amounts equal to the loan payments as stipulated in a lease agreement dated July 3, 2002. If the payments from Marshall County Needline are not sufficient to meet the principal and interest requirements of the promissory note, Marshall County Fiscal Court is liable for the payments. The first payment on the promissory note is due July 3, 2003.
- B. On June 25, 2002, the Marshall County Fiscal Court was awarded another Byrne Memorial – Tri County Area Drug Task Force Grant in the amount of \$298,591 of which \$223,943 will be federal funds and \$74,648 will be matching funds. The grant period is October 1, 2002 through September 30, 2003.
- C. On June 4, 2002, two resolutions were passed by the Marshall County Fiscal Court authorizing the issuance of two tax and revenue anticipation notes, Series 2002A for the General Fund and the Road Fund for the Kentucky Advance Revenue Program. Amount of notes were:

\$994,000	General Fund	\$636,700	Road Fund
-----------	--------------	-----------	-----------

Issuance was scheduled for July 1, 2002. Notes due to mature on June 30, 2003.

Note 8. Insurance

For the fiscal year ended June 30, 2002, Marshall County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 9. Health Insurance

The Marshall County Fiscal Court has established a self-insurance fund to provide health insurance for all county employees. The County is to pay 75% of the insurance premiums for all county employees with the remaining 25% being funded through payroll deductions. A third party administrator processes all self-insurance claims. During the fiscal year, the Self-Insurance Account had a beginning balance of \$94,168, receipts of \$421,226, and expenditures of \$515,394, leaving an ending balance of \$0. Beginning in January 2002, the county terminated the self-insurance fund and began providing health insurance through the State of Kentucky.

Note 10. Landfill Closure and Postclosure Costs

The Marshall County Landfill has been closed to dumping and the County is in the process of meeting closure care requirements. It is estimated that these closure care requirements will cost the County \$1,121,938. The County expects to pay an estimated \$37,398 a year for 30 years. The cost includes an adjustment of 3% for inflation. The 30-year period is also an estimated time frame for meeting all the requirements for closing the landfill. The County expended \$45,567 for post-closure cost during the fiscal year. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

Note 11. Industrial Building Revenue Bonds

A. Duke Energy Marshall County, LLC Project - 2001 Bond Series A

The Marshall County Fiscal Court has adopted an ordinance approving the issuance of Industrial Building Revenue Bonds, 2001 Series A. Such bond issue does not constitute a general debt, liability, or moral obligation of Marshall County. Accordingly, these financial statements do not include any assets or liabilities related to the issuance of this bond issue.

B. Consolidated Waste Industries of Kentucky, LLC Project - 2002 Bond Series

The Marshall County Fiscal Court had adopted a resolution approving the issuance of Industrial Building Revenue Bonds, 2002 Series. Such bond issue does not constitute a general debt, liability, or moral obligation of Marshall County. Accordingly, these financial statements do not include any assets or liabilities related to the issuance of this bond issue.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MARSHALL COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Types</u>			
General Fund	\$ 3,890,000	\$ 3,905,882	\$ 15,882
Road and Bridge Fund	1,414,000	1,420,047	6,047
Jail Fund	1,125,000	1,110,014	(14,986)
Federal Grant Fund	370,000	76,185	(293,815)
Occupational Tax Fund	80,000	66,442	(13,558)
Occupational Tax Administrator Fund	3,200,000	3,395,521	195,521
<u>Special Revenue Fund Types</u>			
Emergency 911 Fund	317,000	324,075	7,075
Wireless 911 Fund	10,000	78,742	68,742
Totals	<u>\$ 10,406,000</u>	<u>\$ 10,376,908</u>	<u>\$ (29,092)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 10,406,000
Add: Budgeted Prior Year Surplus			<u>2,378,000</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 12,784,000</u>

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SCHEDULE OF OPERATING REVENUE

MARSHALL COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	GOVERNMENTAL FUND TYPES			
	Totals (Memorandum Only)	General Fund Types	Special Revenue Fund Types	Capital Projects Fund Type
Taxes	\$ 5,750,855	\$ 5,433,053	\$ 317,802	\$
In Lieu Tax Payments	296,199	296,199		
Excess Fees	252,784	252,784		
Licenses and Permits	80,369	80,369		
Intergovernmental Revenues	3,051,440	2,972,698	78,742	
Charges for Services	484,788	484,788		
Miscellaneous Revenues	380,896	375,896		5,000
Interest Earned	233,652	78,304	6,273	140,772
Total Operating Revenue	<u>\$ 10,530,983</u>	<u>\$ 9,974,091</u>	<u>\$ 402,817</u>	<u>\$ 145,772</u>

MARSHALL COUNTY
 SCHEDULE OF OPERATING REVENUE
 For The Fiscal Year Ended June 30, 2002
 (Continued)

GOVERNMENTAL
 FUND
 TYPES
 . _____

Debt Service
 Fund Type
 . _____

\$

_____ 8,303

\$ 8,303
 : _____

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MARSHALL COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,987,285	\$ 1,764,424	\$ 222,861
Protection to Persons and Property	1,707,001	1,713,353	(6,352)
General Health and Sanitation	860,200	569,154	291,046
Social Services	385,400	382,547	2,853
Recreation and Culture	879,743	862,012	17,731
Roads	3,477,364	3,248,065	229,299
Administration	2,936,007	2,056,288	879,719
TOTAL BUDGET - GENERAL FUND TYPES	<u><u>\$ 12,233,000</u></u>	<u><u>\$ 10,595,843</u></u>	<u><u>\$ 1,637,157</u></u>

Expenditure Categories	SPECIAL REVENUE FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 342,300	\$ 272,526	\$ 69,774
Administration	208,700	26,215	182,485
TOTAL BUDGET - SPECIAL REVENUE FUND TYPES	<u><u>\$ 551,000</u></u>	<u><u>\$ 298,741</u></u>	<u><u>\$ 252,259</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Mike Miller, Marshall County Judge/Executive
Members of the Marshall County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Marshall County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 26, 2002. We did not audit the financial statements of the Marshall County Refuse Disposal District. Other auditors whose reports have been furnished to us audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marshall County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs.

- Reference 2002-1 The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$122,659 To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marshall County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 26, 2002

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Mike Miller, Marshall County Judge/Executive
Members of the Marshall County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Marshall County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Marshall County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Marshall County's management. Our responsibility is to express an opinion on Marshall County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshall County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Marshall County's compliance with those requirements.

In our opinion, Marshall County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Marshall County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marshall County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 26, 2002

FINDINGS AND QUESTIONED COSTS

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2002

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Marshall County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statements of Marshall County was disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Marshall County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Marshall County reported in Part C of this schedule.
7. The program tested as a major program was: Byrne Memorial Grant - Tri-County Drug Task Force CFDA #16.579.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Marshall County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

Reference 2002-1

The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$122,659 To Protect Deposits

On June 30, 2002, \$122,659 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Treasurer Tim York's Response:

This has been addressed.

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2002
(Continued)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral of \$284,539 To Protect Deposits
- Occupational Tax Receipts Should Be Deposited On A Daily Basis

The amount of collateral pledged to the county has been increased but is still insufficient for the fiscal year ending June 30, 2002 and has been commented on in this audit. The occupational tax receipts are being deposited daily. Thus, this comment has not been repeated this year.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT

None.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

MARSHALL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department for Local Government:		
Community Development Block Grant-Olive/Elva Water Project (CFDA #14.228)	B-98-DC-21-0001(005)	\$ 49,624
<u>U.S. Department of the Interior</u>		
Passed-Through State Department for Local Government:		
Land and Water Conservation Program-County Park Lighting (CFDA #15.916)	KY-20000-131-0098	40,000
<u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet:		
Byrne Memorial Grant-Tri-County Drug Task Force (CFDA #16.579)	6356-N2-3/01	111,424
Passed-Through State Justice Cabinet:		
Byrne Memorial Grant-Tri-County Drug Task Force (CFDA #16.579)	6132-N2-2/00	156,594
Passed-Through State Justice Cabinet:		
Community Oriented Policing Services- Universal Hiring Grant (CFDA #16.726)	95-CF-WX-1883	15,492

MARSHALL COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Fiscal Year Ended June 30, 2002
 (Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs (Continued):		
<u>U.S. Department of Transportation</u>		
Passed-Through State Justice Cabinet: State and Community Highway Safety Program-County Park Trails Development (CFDA #20.205)	KY-980522-0530	\$ 20,000
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs: Disaster and Emergency Assistance Grant- Coordinator Salary (CFDA #83.503)	N/A	<u>3,409</u>
Total Cash Expenditures of Federal Awards		<u>\$ 396,543</u>

MARSHALL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis of accounting.

Note 2 - The federal expenditures for the Byrne Memorial Grant - Tri-County Drug Task Force include grants to subrecipients as follows:

<u>Subrecipient</u>	<u>Pass-through Grant Amount</u>
Benton Police Department	\$ 4,005
Calloway County Sheriff's Department	46,088
Graves County Sheriff's Department	52,340
Marshall County Sheriff's Department	75,467
Mayfield Police Department	48,258
Murray Police Department	<u>41,860</u>
Total Federal Grant Expenditures to Subrecipients	<u>\$268,018</u>

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AUDIT OF MARSHALL COUNTY REFUSE DISPOSAL DISTRICT

**MARSHALL COUNTY
REFUSE DISPOSAL DISTRICT**

FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2002

AUDIT REPORT
&
FINANCIAL STATEMENTS

**MARSHALL COUNTY REFUSE
DISPOSAL DISTRICT**

For the fiscal year ended

June 30, 2002

KIM FOUNTAIN

CERTIFIED PUBLIC ACCOUNTANT

TAXES ♦ BOOKKEEPING ♦ AUDITING ♦ PAYROLL ♦ CONSULTING

C O N T E N T S

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Statement of Assets, Liabilities, and Fund Balance Arising from Cash Transactions	2
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balance	3
Notes to Financial Statements	4-5
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6
Management Letter	7

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Benton, KY 42025

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KIM FOUNTAIN

CERTIFIED PUBLIC ACCOUNTANT

TAXES ♦ BOOKKEEPING ♦ AUDITING ♦ PAYROLL ♦ CONSULTING

MEMBER,
*American Institute
of CPA's*

♦
MEMBER,
*Kentucky Society
of CPA's*

INDEPENDENT AUDITORS' REPORT

Board of Directors
Marshall County Refuse Disposal District
Benton, Kentucky

I have audited the statement of assets, liabilities, and fund balances arising from cash transactions of the Marshall County Refuse Disposal District as of June 30, 2002, and the related statement of cash receipts, cash disbursements and changes in cash balances for the year then ended. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As recommended by the State Local Finance Officer, pursuant to Kentucky Revised Statutes (KRS) 68.210, the accompanying financial statements are prepared on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the aforementioned financial statements present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of the Marshall County Refuse Disposal District as of June 30, 2002, and the related cash receipts, cash disbursements, and changes in cash balances for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 15, 2002, on my consideration of the Marshall County Refuse Disposal District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



Kim Fountain
Certified Public Accountant
Benton, Kentucky
November 15, 2002

**MARSHALL COUNTY REFUSE DISPOSAL DISTRICT
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2002**

ASSETS

Current Assets:

Cash in Bank-checking	\$ 92,234.75
Cash in Bank-liquid certificate of deposit	<u>152,512.10</u>

TOTAL ASSETS	<u><u>\$ 244,746.85</u></u>
--------------	-----------------------------

LIABILITIES AND FUND BALANCE

Liabilities:

None	\$ 0.00
------	---------

Fund Balance	<u>244,746.85</u>
--------------	-------------------

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 244,746.85</u></u>
------------------------------------	-----------------------------

See notes to financial statements

**MARSHALL COUNTY REFUSE DISPOSAL DISTRICT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEAR ENDED JUNE 30, 2002**

CASH RECEIPTS:

District Taxation	\$ 1,184,283.00	
Transfer from fiscal court	400,000.00	
Sale of Equipment	130.00	
Recycling Income	3,215.50	
Interest	5,389.93	
Total Receipts	<u> </u>	\$ 1,593,018.43

CASH DISBURSEMENTS:

Wages & Payroll taxes - Note 2	768,222.00	
Maintenance & Supplies	77,265.40	
Utilities and telephone	14,254.44	
Trailer and equipment leases	39,375.00	
Employee retirement - Note 3	37,321.61	
Fuel and Oil	31,510.77	
Commissioner Fees	13,200.00	
Insurance	167,871.52	
Legal & Professional	2,760.00	
Office expense & advertising	10,577.05	
Machine hire, dirt	43,552.53	
Uniforms	24,199.74	
Physicals & Medical	6,941.00	
Pest Control	628.00	
Miscellaneous	2,117.59	
Well testing and monitoring	3,660.00	
Capital outlay	108,614.18	
Waste disposal contract	286,459.72	
Lot leases	4,800.00	
Licenses & Permits	60.00	
Training & Travel	958.37	
Total Disbursements	<u> </u>	<u>1,644,348.92</u>

Increase (decrease) in Cash Balance	(51,330.49)
Cash Balance, July 1, 2001	<u>296,077.34</u>
Cash Balance, June 30, 2002	<u><u>\$ 244,746.85</u></u>

See notes to financial statements

MARSHALL COUNTY REFUSE DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The District prepares its financial statements on the basis of cash receipts and disbursements; consequently, certain revenue is recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Also, fixed assets are recorded as an expense in the year of purchase and as revenue in the year of sale, rather than as an asset as required by accounting principles generally accepted in the United States of America. Note proceeds and retirement are recorded as receipts and disbursements, rather than as a liability.

NOTE 2. WAGES AND PAYROLL TAXES

The amount in this category on the financial statements includes gross wages of \$718,680.78 plus employer's share of social security taxes (calculated after health insurance deductions) and unemployment insurance. This category also includes a small amount equal to the difference between actual amounts withheld for social security, federal, state and local taxes versus taxes actually paid (remitted) during the fiscal year. The employer's portion of health insurance premiums was paid by the County until March, 1993 and the District did not reimburse the County for them. After that point, the District began paying for the insurance.

NOTE 3. RETIREMENT PLAN

All full time employees are covered under the County Employee's Retirement System (CERS) of the State of Kentucky, a cost sharing, multiple-employer, public employees retirement system, defined benefit pension plan. Funding for the plan is provided through payroll withholding of 5% and a district contribution of 6.41% of the employee's total compensation subject to contribution.

The District's total payroll for the year was \$718,680.78. The payroll for employees covered under CERS was \$584,115.30.

The contribution requirement for CERS for the year ended June 30, 2002, was \$66,555.65, which consisted of \$37,321.61 from the district and \$29,234.04 from the employees. The contribution requirements for the years ended June 30, 2001 and 2000, was \$68,438.51 and \$60,459.31, respectively.

Benefits under the plan will vary based on final compensation, years of service, and other factors as fully described in the plan documents. Copies of the plan's stand-alone financial statements are available from the plan administrator.

MARSHALL COUNTY REFUSE DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2002

NOTE 4. OTHER PERTINENT INFORMATION

The State of Kentucky mandated that all landfills not in compliance with state requirements concerning preparations of landfills for use be closed by June 30, 1992. However, there was still a need for the Marshall County Refuse Disposal District to operate the county dumpsters and transporting of refuse to private disposal enterprises. The District has several transfer stations at various points in the county where county residents may bring their refuse for disposal. The stations are fenced in and are open only during certain hours when they are overseen by District employees.

NOTE 5. DEPOSITS

At June 30, 2002, the carrying amount of the District's deposits was \$244,746.85 and the bank balance was \$ 263,205.02. Of this amount, \$100,000 was covered by FDIC insurance, and \$163,205.02 was secured by pledged collateral.

NOTE 6. POST-EMPLOYMENT BENEFITS

In accordance with COBRA requirements, eligible employee are offered insurance coverage after termination.

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MEMBER,
American Institute
of CPA's

MEMBER,
Kentucky Society
of CPA's

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Marshall County Refuse Disposal District
Benton, Kentucky

I have audited the financial statements of the Marshall County Refuse Disposal District, as of and for the year ended June 30, 2002, and have issued my report thereon dated November 15, 2002. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Marshall County Refuse Disposal District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to management of the Marshall County Refuse Disposal District, in a separate letter dated November 15, 2002.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered the Marshall County Refuse Disposal District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the Marshall County Refuse Disposal District, in a separate letter dated November 15, 2002.

This report is intended solely for the information and use of the board and management and is not intended to be and should not be used by anyone other than these specified parties.

Kim Fountain

Benton, Kentucky
November 15, 2002

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MANAGEMENT LETTER

MEMBER,
*American Institute
of CPAs*

♦
MEMBER,
*Kentucky Society
of CPAs*

To the Board of Directors
Marshall County Refuse Disposal District

I have audited the financial statements of the Marshall County Refuse Disposal District, Kentucky as of and for the year ended June 30, 2002, and have issued my report thereon dated November 15, 2002.

As a part of my audit, I noted the following:

- 1) We noted several instances where bills were paid from statements rather than directly from invoices. In several instances this resulted in invoices being paid twice. It appeared credit was given for most of the overpayments. However, this could not be verified in all cases. Every effort should be made to obtain a copy of each invoice before payment is made. Invoices and payments should also be reconciled to statements whenever possible.
- 2) Several payments were not supported by proper documentation. In some cases the invoices were held by the County Road Department as the invoice included items for both departments. Every effort should be made to obtain a copy of all invoices paid.

I appreciate the opportunity to work with the District and wish to thank the Treasurer and his staff for their cooperation during the course of the audit.

Sincerely



Kim A. Fountain, CPA
November 15, 2002

